

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

TALTECH LIMITED,

Plaintiff,

v.

ESQUEL ENTERPRISES LTD.,

Defendant.

No. C04-974Z

ORDER

This matter comes before the Court on Esquel's Motion for Attorneys' Fees and Costs, docket no. 303. Taltech has filed an opposition to Esquel's motion, docket no. 310. Esquel has filed a reply in support of its motion, docket no. 315. Having considered the parties' briefs, declarations, exhibits, and the entire record of the case, the Court GRANTS IN PART and DENIES IN PART Esquel's motion.

**BACKGROUND**

This is a complex patent infringement case, which necessitated substantial fact and expert discovery, third party discovery, motion practice, mock jury presentations by both parties, and trial preparation. Hoeft Decl., docket no. 305, ¶¶ 11-20, 37-40, 48-59, 66. During discovery, the parties took 96 depositions in 12 cities, 25 of which were conducted in Asia. *Id.* ¶ 11. The parties made numerous visits to Asia, i.e., Hong Kong, China, and

1 Malaysia, to take discovery, conduct factory inspections, and conduct depositions. Id. ¶¶ 11-  
2 12. Taltech served seven sets of Interrogatories and ten sets of document requests in the  
3 Seattle and ITC actions, while Esquel served four sets of Interrogatories and five sets of  
4 document requests. Id. ¶ 14. Taltech's experts generated 15 expert reports and Esquel's  
5 experts generated 18 expert reports. The parties produced over 100,000 pages of documents,  
6 some of which had to be translated into English. Id. ¶ 15. Without any doubt, all of the  
7 attorneys involved in the case vigorously represented their clients' interests throughout the  
8 entire litigation process.

9 On March 9, 2007, the Court entered Findings of Fact and Conclusions of Law  
10 ("FFCL"), docket no. 301, after a two-week bench trial. The Court held, in pertinent part,  
11 that Esquel had established inequitable conduct by clear and convincing evidence based upon  
12 Mr. John Wong's failure to disclose the John Wong Undisclosed Raincoat Seam to the  
13 Patent Office, and based upon Mr. John Wong's and his representatives' misrepresentations  
14 regarding the TAL Disclosed Raincoat Seam to the Patent Office during the prosecution of  
15 the patents-in-suit. FFCL 83, 94, 95. Accordingly, the Court held that Taltech's patent,  
16 United States Patent No. 5,568,779 ("the '779 Patent") was unenforceable. FFCL 95. The  
17 Court further held that there was clear and convincing evidence that this was an  
18 "exceptional" case under 35 U.S.C. § 285 ("Section 285") based on the inequitable conduct  
19 before the Patent Office and based on Taltech's and TAL Apparel's litigation tactics. FFCL  
20 97, 101. The Court concluded that an award of attorneys' fees in this exceptional case was  
21 warranted in favor of Esquel Enterprises, Ltd. and Esquel Apparel, Inc. FFCL 102. The  
22 Court held TAL Apparel and Taltech jointly and severally liable for the reasonable attorneys'  
23 fees incurred by Esquel Enterprises, Ltd. and Esquel Apparel, Inc. in defending this case.  
24 FFCL 103.

Having already determined that this case is “exceptional” and that fees are warranted, the issue now before the Court is the reasonableness of Esquel’s<sup>1</sup> request for fees and costs. Esquel’s motion seeks \$6,944,270.67 in attorneys’ fees, \$1,130,634.60 in costs, and \$653,395.32 in pre-judgment interest, for a total proposed award of \$8,728,300.59,<sup>2</sup> plus post-judgment interest. Esquel asserts that it has made some effort to streamline its fee request. Specifically, Esquel is not seeking approximately \$700,000 in fees resulting from duplicative efforts or incurred by legal professionals who billed less than 40 hours in total in the case. Suppl. Hoeft Decl. ¶ 17. Esquel is also not seeking \$150,738.02 in costs that it asserts might be recoverable under Section 285. *Id.* ¶ 18. Although Esquel is seeking \$226,942.42 in deposition fees that it incurred in the course of discovery in the ITC proceeding, Esquel is not seeking approximately \$2.3 million of other ITC-related fees. *Id.* ¶ 19.

Taltech opposes Esquel’s motion in two main ways. First, Taltech argues that Esquel’s request for fees should be reduced by at least two-thirds to reflect the prevailing market rate for similar litigation. Second, Taltech makes specific objections to Esquel’s requested fees and costs, arguing that they are excessive and unreasonable. The Court addresses each of these challenges in turn.

---

<sup>1</sup> This Order’s reference to “Esquel” includes both Esquel Enterprises, Ltd. and Esquel Apparel, Inc. Similarly, this Order’s reference to “Taltech” includes both Taltech Limited and TAL Apparel, Inc. The Court refers to the parties in this way for consistency with the parties’ briefs and for ease of reference; no legal significance should be attached to the Court’s use of these shorthand references to the parties. In limited circumstances, the Order refers to TAL rather than Taltech to emphasize that TAL, not Taltech, sells shirts.

<sup>2</sup> Esquel’s opening motion requests \$6,740,813.17 in attorneys’ fees and \$1,119,208.16 in costs, for a total of \$7,860,021.33 in fees and costs. Esquel’s opening motion also reserves the right to request fees incurred in preparing Esquel’s motion for fees and costs and to request a specific amount of pre-judgment interest. In its reply brief, Esquel requests \$216,717.50 in fees and \$11,426.44 in costs incurred in preparing its motion for fees and costs, *see* Suppl. Hoeft Decl., docket no. 316, ¶ 26, and agrees to a reduction of \$13,260.00 in fees, *see id.* ¶ 19, bringing the total requested fees to \$6,944,270.67 and the total requested costs to \$1,130,634.60. Esquel’s reply also requests \$653,395.32 in pre-judgment interest.

## 1 DISCUSSION

### 2 A. Standard of Review

3 “The court in exceptional cases may award reasonable attorney fees to the prevailing  
4 party.” 35 U.S.C. § 285. “The purpose of Section 285 is to reimburse a party injured when  
5 forced to undergo an ‘exceptional’ case.” Mathis v. Spears, 857 F.2d 749, 753 (Fed. Cir.  
6 1988). “The injured party is to be placed, as near as may be, in the situation he would have  
7 occupied if the wrong had not been committed.” Id. “No award under Section 285 can fully  
8 compensate a defendant subjected to bad faith litigation, e.g., for loss of executives’ time and  
9 missed business opportunities.” Id. at 754. As a result, in determining the compensatory  
10 quantum of an award under Section 285, courts are not “limited to ordinary reimbursement  
11 of only those amounts paid by the injured party for purely legal services of lawyers,” and are  
12 not “precluded from ordinary reimbursement of legitimate expenses defendant was forced to  
13 pay.” Id. At the same time, “Section 285’s requirement that the fees awarded be  
14 ‘reasonable’ is a safeguard against excessive reimbursement.” Id. “The district court’s  
15 inherent equitable power and informed discretion remain available in determining the level  
16 of exceptionality rising out of the offender’s particular conduct, and in then determining, in  
17 light of that conduct, the compensatory quantum of the award, including the amount of  
18 attorney fees, what if any expenses shall be included, and the rate of prejudgment interest, if  
19 any, on the award.” Id. “The methodology of assessing a reasonable award under 35 U.S.C.  
20 § 285 is within the discretion of the district court.” Id.

21 In determining an appropriate award of attorneys’ fees, the Court may use the lodestar  
22 approach. See Hensley v. Eckerhart, 461 U.S. 424, 433 (1983). Under this approach, the  
23 Court first determines a lodestar figure by multiplying the number of hours reasonably spent  
24 on the litigation by a reasonable hourly rate. See id. The Court “may then adjust this  
25 lodestar calculation by other factors.” Blanchard v. Bergeron, 489 U.S. 87, 94 (1989).  
26 “[T]he most critical factor” in determining the reasonableness of a fee award “is the degree

1 of success obtained.” Farrar v. Hobby, 506 U.S. 103, 114 (1992) (quoting Hensley, 461 U.S.  
2 at 436). The Federal Circuit has rejected a patentee’s argument that the prevailing defendant  
3 should only recover the fees related to inequitable conduct. Brasseler U.S.A. I, L.P. v.  
4 Stryker Sales Corp., 267 F.3d 1370, 1386 (Fed. Cir. 2001) (“Stryker would not have incurred  
5 any of the fees generated in defense of this suit had Brasseler not committed inequitable  
6 conduct in pursuit of its patent and had it not filed a claim for infringement of that patent,  
7 known by Brasseler to have been improperly obtained. Thus, Brasseler should be charged  
8 with the expense of defending against this frivolous lawsuit.”). The reasonable hourly rate is  
9 usually determined by reference to the rates charged by lawyers in the same legal community  
10 with comparable skills and reputations. See Blum v. Stenson, 465 U.S. 886, 895 n.11  
11 (1984). Courts have recognized that “[p]atent law is a specialized area and requires special  
12 expertise; therefore, hourly rates are somewhat higher than those of general practitioners.”  
13 SunTiger, Inc. v. Scientific Research Funding Group, 9 F. Supp. 2d 601, 608 (E.D. Va.  
14 1998), aff’d, 194 F.3d 1335 (Fed. Cir. 1999). In this matter, Taltech does not dispute the  
15 reasonableness of the hourly rates sought by Esquel. The Court finds that the hourly rates  
16 charged by Esquel’s attorneys were reasonable. The parties disagree as to the  
17 reasonableness of the hours spent by Esquel’s attorneys.

18 In addition to attorneys’ fees, Esquel moves for costs pursuant to Federal Rule of  
19 Civil Procedure 54(b), 28 U.S.C. §§ 1821 and 1920. These rules are described below, as  
20 necessary, in the context of Taltech’s specific objections.

21 **B. Taltech’s “Prevailing Market Rate” Argument**

22 Taltech relies on a report by the American Intellectual Property Law Association  
23 (“AIPLA”) to argue that Esquel’s request for almost \$7 million in fees is not in line with the  
24 prevailing market rate for similar litigation. Taltech Exhibits, docket no. 310, Ex. A (AIPLA  
25 report). The Federal Circuit has approved district courts’ reliance on the AIPLA report to  
26 assist the Court’s determination of reasonable billing rates and hours expended. See View

1 Eng'g, Inc. v. Robotic Vision Sys., Inc., 208 F.3d 981, 987-88 (Fed. Cir. 2000) (reducing  
2 rates because higher than normal rates were charged); see also Vardon Golf Co. v. Karsten  
3 Mfg. Corp., No. 99 C 2785, 2003 WL 1720066 at \*2 (N.D. Ill. Mar. 31, 2003) (noting that  
4 the fee request of just over \$2 million seems reasonable in light of the \$3.5 million median  
5 cost of similar litigation).

6 The AIPLA report categorizes patent infringement litigation as having “less than \$1  
7 million at risk,” “\$1-\$25 million at risk,” and “more than \$25 million at risk.” Taltech Ex. A  
8 (AIPLA report); Suppl. Hoeft Decl. Ex. J (same). Taltech argues that only \$1-25 million is  
9 at risk in this litigation, whereas Esquel argues that more than \$25 million is at risk. In  
10 support of its position, Taltech points out that: (1) Esquel’s expert calculated a \$83,711  
11 royalty due Taltech if Esquel were found to infringe, (2) Taltech’s expert calculated potential  
12 damages at no more than \$600,000, (3) Esquel’s U.S. wrinkle-free shirt business generated a  
13 mere \$1.3 million in profits, and (4) most of Esquel’s shirts were sold at a loss. Taltech’s  
14 Opp’n at 3, nn.2-3 (citing Taltech Exs. B-D).

15 Esquel responds that if the case had been worth only \$85,000 to \$600,000, the case  
16 would never have gone to trial. This is persuasive given that Esquel spent millions of dollars  
17 to go to trial with no assurance that its fees would be paid by Taltech. Furthermore, as  
18 Esquel points out, the threat of an injunction against Esquel’s sales of wrinkle-free, pucker-  
19 free shirts in the United States is why the case went to trial. See Taltech’s Statement with  
20 Respect to Damages, docket no. 218 (waiving claim for past damages). Future profits in this  
21 rapidly-growing market are at stake. Taltech’s expert noted that TAL’s “U.S. revenues from  
22 sales of all pucker-free shirts grew from 40 million dollars in 2001 to 78 million in 2002 and  
23 95 million in 2003. By 2005 revenues had grown to \$202 million.” Taltech Ex. D (Neels  
24 Expert Report) at 2-3, and Ex. 3 attached thereto. Esquel submits evidence from trial  
25 showing that TAL is concerned that Esquel will be able to undercut TAL on price. Suppl.  
26 Hoeft Decl. Ex. G (Harry Lee testimony) at 68:4-10. Esquel contends that its revenue selling

1 shirts from the filing of the litigation (i.e., 2004) to the end of the patent term (i.e., 2014)  
2 could exceed \$1 billion if it achieves just half of TAL's sales volume. Esquel's Reply at 1.

3 The Court does not have sufficient information to make any findings related to the  
4 profits that would flow from Esquel's projected future revenues. For many reasons, the  
5 Court is unable to assess the monetary risk of an injunction. Thus, the Court cannot  
6 determine whether more than \$25 million is at risk in this litigation, although it certainly  
7 seems possible. The Court considers both sets of AIPLA statistics – i.e., those for cases in  
8 which \$1-25 million is at risk, and those for cases in which more than \$25 million is at risk.  
9 The AIPLA's 2005 report finds that the mean (average) total cost<sup>3</sup> for litigating patent  
10 infringement cases in which \$1-25 million is at risk is \$2.6 million, the median (midpoint)  
11 cost is \$2 million, and 50% of cases fall within a range of between \$1.2 and \$3.5 million.  
12 For patent infringement cases in which more than \$25 million is at risk, the mean (average)  
13 cost is \$5.2 million, the median (midpoint) cost is \$4.5 million, and 50% of cases fall within  
14 a range of between \$2.5 and \$6 million. Taltech Ex. A (duplicate Suppl. Hoeft Decl. Ex. J)  
15 at I-109, I-110. Taltech emphasizes the median statistic, whereas Esquel emphasizes the  
16 mean statistic. The Court focuses on the median statistic because the mean is more prone to  
17 variation due to singular extreme cases. The AIPLA report also breaks down its statistics  
18 into regions of the country. In "Other West," which would include Seattle, Washington, the  
19 median cost of patent infringement litigation in which \$1-25 million is at risk is \$2 million,  
20 and the median cost of patent infringement litigation in which more than \$25 million is at  
21 risk is \$5 million.

22 The AIPLA statistics show that Esquel's request for almost \$8.7 million is on the high  
23 end of the spectrum, even if the Court assumes that more than \$25 million is at risk in the  
24

---

25 <sup>3</sup> "Total cost" includes outside legal and paralegal services, local counsel, associates,  
26 paralegals, travel and living expenses, fees and costs for court reporters, photocopies, courier  
services, exhibit preparation, analytical testing, expert witnesses, translators, surveys, jury  
advisors, and similar expenses. Taltech Ex. A. at 22.



1 litigation. While the Court keeps this in mind when fashioning its fee award, the Court  
2 rejects the notion of a cap based on the AIPLA statistics. The Court has an obligation under  
3 Section 285 to determine whether the actual time spent and fees charged by Esquel were  
4 reasonable, and thus the Court turns to Taltech's specific objections.

5 **C. Taltech's Specific Objections to Esquel's Requested Fees and Costs**

6 Taltech asks the Court to reduce Esquel's request for fees and expenses by  
7 \$1,535,174.91. See Taltech Ex. E ("Summary of Excessive Billing"). Taltech also asks the  
8 Court not to award pre-judgment interest.

9 **1. Fees – Accommodations and Interpreter**

10 Taltech challenges Esquel's request for \$10,097.00 in attorneys' fees incurred by  
11 partners at Lane Powell (Esquel's local counsel) in arranging hotel accommodations and  
12 finding interpreters during trial. It is unreasonable to bill attorneys' rates for time devoted to  
13 clerical tasks. See Eli Lilly and Co. v. Zenith Goldline Pharms., Inc., 264 F. Supp. 2d 753,  
14 776 (S.D. Ind. 2003) (rejecting \$100 rate for legal assistants who spent time shopping and  
15 coordinating travel arrangements and trial logistics); Missouri v. Jenkins, 491 U.S. 274,  
16 287-88, n.10 (1989) ("Of course, purely clerical or secretarial tasks should not be billed at a  
17 paralegal rate, regardless of who performs them."). Accordingly, the Court reduces Esquel's  
18 request for fees by \$10,097.00.

19 **2. Fees – Redactions**

20 Taltech argues that \$82,545.78 in Esquel's fees are excessive because they come from  
21 redacted time entries with no adjustment of time for the redactions. Taltech's Ex. F (purple  
22 boxes). Esquel asserts that it redacted some of the narrative descriptions of the time entries  
23 because the narrative implicated attorney-client privilege or work product information;  
24 because the services did not relate directly to this litigation; or because Esquel decided not to  
25 seek reimbursement for those services. Hoeft Decl. ¶ 26; Suppl. Hoeft Decl. ¶¶ 15-16.  
26 Esquel has offered to provide a copy of its legal bills without redactions for an *in camera*



1 inspection. The Court declines to undertake an *in camera* inspection because even  
2 unredacted entries will not necessarily inform the Court of the reasonable amount of time  
3 spent on legitimate tasks. In light of Esquel's burden to demonstrate the reasonableness of  
4 its fees, and taking all of the circumstances into account, the Court agrees with Taltech's  
5 objection and reduces Esquel's request for fees by \$82,545.78.

6 **3. Fees – Duplicative Work**

7 Taltech argues that \$150,924.92 in Esquel's fees are unreasonable because they  
8 represent duplicative work. Taltech's Ex. F (red boxes). For example, Taltech challenges  
9 Stuart Berkson's time entry for 10 hours to travel to Hong Kong and review of materials for  
10 depositions. Taltech Opp'n at 402 (Esquel's billing records at 299). Stuart Berkson is a  
11 partner in McDermott Will & Emery's Chicago office who was the primary contact between  
12 Esquel's U.S. attorneys and its Hong Kong attorneys. Hoeft Decl. ¶ 31. Other Esquel  
13 attorneys, including Joseph Paquin and Steven Hoeft, also traveled to Hong Kong and  
14 prepared for depositions. Taltech Opp'n at 402. Taltech also challenges Esquel's large trial  
15 team, noting that Esquel had seven attorneys at trial even though only one had a substantial  
16 speaking role. Taltech Opp'n at 597-615 (red boxes). Esquel attempts to justify its fee  
17 request by contending that Taltech's ten-attorney trial team was larger than Esquel's seven-  
18 attorney team, Suppl. Hoeft Decl. ¶ 8; that each of its attorneys had a specific role in  
19 preparing for trial, *id.* ¶¶ 9-12; and that it sent two of its attorneys home four or five days  
20 before trial ended, *id.* ¶ 11. Esquel also argues that it did not overstaff depositions. *Id.* ¶ 13.  
21 Although it was Esquel's prerogative to involve more than one attorney on the same task and  
22 to have numerous counsel present at trial to assist Mr. Hoeft or at depositions, the Court will  
23 not order Taltech to pay for Esquel's decision to overstaff. Both sides in this case expended  
24 an enormous amount of resources in an effort to be zealous advocates for their clients, which  
25 no doubt could have been achieved with more efficiency in some circumstances. The Court  
26

1 agrees with Taltech's duplicative work objection and accordingly reduces Esquel's request  
2 for fees by \$150,924.92.

3 **4. Fees – Jurisdictional Discovery**

4 Taltech challenges Esquel's request for \$250,314.50 in attorneys' fees incurred as a  
5 result of jurisdictional discovery taken by Esquel. Taltech Ex. F (blue boxes). Esquel was  
6 justified in conducting jurisdictional discovery in preparation of its response to Taltech's  
7 motion to dismiss for lack of personal jurisdiction. The Court declines to reduce Esquel's  
8 request for fees based on Taltech's jurisdictional discovery objection.

9 **5. Fees – Prior Art**

10 Taltech challenges Esquel's request for \$461,698.62 in fees for over 1034 hours  
11 expended in performing and reviewing a prior art search that identified 663 items of prior art.  
12 Esquel compiled the extravagant list of 663 items of prior art despite the fact that Esquel had  
13 already identified two prior art patents/publications as anticipating the Taltech claims and six  
14 additional references as rendering the claims obvious in the proceedings before the ITC. In  
15 response to a motion to strike by Taltech, the Court ordered Esquel to narrow its list to 25  
16 items of prior art, docket no. 107. Esquel narrowed its list of prior art in June 2006, docket  
17 no. 194, only to assert approximately 650 items of prior art two months later, in August  
18 2006, docket no. 216. In response to a motion in limine by Taltech, docket no. 228, the  
19 Court ordered Esquel to file a revised statement of invalidity contentions on the eve of trial,  
20 docket no. 251. None of the "new" prior art patents or publications was mentioned by  
21 Esquel during the trial. Esquel argues that Taltech confuses diligence with excess and that  
22 Esquel had an ethical responsibility to locate and review all prior art that might be relevant.  
23 Although Esquel asserts that Taltech's calculation of \$461,698.62 includes time entries that  
24 cover tasks unrelated to prior art, Esquel does not estimate the amount of fees incurred as a  
25 result of the unrelated tasks. See Suppl. Hoeft Decl. ¶ 14, and Ex. M. Although it is easy to  
26 say in hindsight that a task was unnecessary to the successful outcome of litigation, the Court

1 believes that Esquel's fees incurred as a result of the prior art search represent excessive fees  
2 that should not be shifted to Taltech. Accordingly, the Court reduces Esquel's request for  
3 fees by \$461,698.62.

4 **6. Fees – ITC Proceeding**

5 As previously mentioned, Esquel is seeking \$226,942.42 in attorneys' fees that it  
6 incurred in the course of discovery in the ITC proceeding, and it is not seeking  
7 approximately \$2.3 million of other ITC-related fees. Taltech challenges Esquel's request  
8 for ITC-related fees in two respects.

9 First, Taltech objects to Esquel's request for \$13,260.00 in fees for depositions  
10 relating to domestic industry. Esquel agrees to this reduction. Suppl. Hoeft Decl. ¶ 19  
11 ("Esquel agrees to reduce this figure by \$13,260, which TAL argues were fees related to the  
12 domestic industry question, a question not at issue in this litigation."). Accordingly, the  
13 Court reduces Esquel's request for fees by \$13,260.00.

14 Second, Taltech objects to Esquel's request for \$52,737.50 in fees for depositions of  
15 experts taken in the ITC proceeding. Taltech points out that the parties *in this litigation*  
16 stipulated to limitations on the use of expert deposition testimony taken in the ITC  
17 proceeding. Stipulation, docket no. 71, ¶ 5 (limiting use to impeachment). Esquel responds  
18 that the expert deposition testimony taken in the ITC proceeding was used to prepare expert  
19 reports and to prepare for expert depositions taken in this litigation and would have been  
20 used to impeach experts, if necessary, at trial. In light of the stipulated limitation on the use  
21 of ITC-expert deposition testimony in this litigation, coupled with the fact that experts were  
22 deposed again in the course of this litigation, the Court reduces Esquel's request for fees by  
23 \$52,737.50.

24 In summary, the Court reduces Esquel's ITC-related fees by \$65,997.50, representing  
25 the \$13,260.00 "domestic industry" fees plus the \$52,737.50 "expert deposition" fees.

1           **7.     Fees – Abandoned Defenses, Unsuccessful Motions**

2           Taltech challenges Esquel's request for \$142,447.24 in fees incurred in connection  
3 with Esquel's unsuccessful defenses and motions. Taltech's Ex. F (pink boxes). For  
4 example, Taltech highlights fees expended toward asserting affirmative defenses of unclean  
5 hands, laches and estoppel, election of remedies and misuse, and points out that these  
6 defenses were either dropped by Esquel or dismissed by the Court after Taltech filed motions  
7 for summary judgment. See docket nos. 151, 176, 198, 215, 231. Although Esquel has  
8 provided some case authority that would support the Court's granting of fees for defenses  
9 that were abandoned or unsuccessful in light of Esquel's overall success in the litigation, the  
10 Court believes that a reduction for unsuccessful defenses and motions is appropriate in this  
11 case because they did not contribute to Esquel's ultimate success. Cf. Hensley, 461 U.S. at  
12 435 ("no fee may be awarded for services on the unsuccessful claim"). Accordingly, the  
13 Court reduces Esquel's request for fees by \$142,447.24.

14           **8.     Costs – Expert Witness Fees**

15           Esquel seeks expert witness fees in the amount of \$331,519.66. Section 285  
16 authorizes "reasonable attorney fees" to the prevailing party in exceptional cases. 35 U.S.C.  
17 § 285. The Federal Circuit has made it clear: "[A]n award under section 285 encompasses  
18 only attorney fees; expert witness fees fall under 28 U.S.C. § 1920, subject to the 28 U.S.C.  
19 § 1821(b) limitation." Amsted Indus. Inc. v. Buckeye Steel Castings Co., 23 F.3d 374, 377  
20 (Fed. Cir. 1994) (citing West Virginia Univ. Hosps., Inc. v. Casey, 499 U.S. 83 (1991)).  
21 West Virginia overruled prior precedents of the Federal Circuit that had held that Section  
22 285 authorized an award of expert witness fees. Amsted, 23 F.3d at 377. Accordingly, the  
23 Court denies Esquel's motion for expert witness fees under Section 285.

24           Esquel alternatively moves for expert witness fees under the Court's inherent power  
25 to impose sanctions for Taltech's and John Wong's inequitable conduct in obtaining its  
26 patents and for Taltech's bad faith litigation tactics. "[A] court must use caution when

1 invoking its inherent power to impose sanctions . . . [i]n particular . . . when statutes or rules  
 2 provide an adequate sanction for bad faith.” Amsted, 23 F.3d at 378 (citing Chambers v.  
 3 NASCO, Inc., 501 U.S. 32, 50 (1991)). “[N]ot every case qualifying as ‘exceptional’ under  
 4 section 285 will qualify for sanctions under the court’s inherent power.” Id. Indeed, “a  
 5 finding of fraud or abuse of the judicial process” is required “before a trial court can invoke  
 6 its inherent sanctioning power to impose expert witness fees in excess of the section 1821(b)  
 7 cap.” Id. (citing Chambers v. NASCO, Inc., 501 U.S. 32 (1991) and Mathis v. Spears, 857  
 8 F.2d 749 (Fed. Cir. 1988)). The Court must determine whether the case “goes sufficiently  
 9 beyond ‘exceptional’ within the meaning of section 285 to justify an award of expert fees as  
 10 a sanction under the court’s inherent power.” Id. at 378-79. The Court believes that Section  
 11 285 provides an adequate sanction for Taltech’s and John Wong’s inequitable conduct in this  
 12 case and declines to invoke its inherent sanctioning power to impose expert witness fees in  
 13 excess of the Section 1821(b) cap.

14 Section 1821(b) limits expert witness fee awards under 28 U.S.C. § 1920 to “an  
 15 attendance fee of \$40 per day.” 28 U.S.C. § 1821(b). Esquel has not calculated its expert  
 16 witness fees according to 28 U.S.C. § 1821(b). In the absence of any documentation of  
 17 Esquel’s expert witness fees according to 28 U.S.C. § 1821(b), the Court reduces Esquel’s  
 18 request for costs by \$331,519.66.

#### 19 **9. Costs – Prior Art**

20 For the same reasons as outlined above with regard to Esquel’s attorneys’ fees  
 21 incurred as a result of Esquel’s prior art search, the Court reduces Esquel’s request for prior  
 22 art costs by \$10,258.25.

#### 23 **10. Costs – Travel and Lodging Fees for Travel Between Chicago and Seattle**

24 Esquel seeks \$307,398.42 in travel and lodging costs. Hoeft Decl. ¶ 67, Ex. 18  
 25 (summary) and Ex. 19 (travel and lodging receipts and invoices). Taltech objects to  
 26 \$29,371.44 in costs that were incurred as a result of travel between Chicago and Seattle. It

1 would be unreasonable for Taltech to bear the burden of fees incurred as a result of Esquel's  
2 decision to file this action in Seattle, but retain Chicago counsel. See Thermovac Indus.  
3 Corp. v. Virtis Co., 1968 WL 8409, 159 U.S.P.Q. 349, 354 (S.D.N.Y. 1968) (declining to  
4 award costs for the selection of counsel in Chicago for a trial in the Southern District of New  
5 York). Accordingly, the Court reduces Esquel's request for fees by \$29,371.44.

6 **11. Conclusion Re: Taltech's Specific Objections**

7 In response to Taltech's specific objections, the Court reduces Esquel's \$6,944,270.67  
8 fee request by \$913,711.06, and Esquel's \$1,130,634.60 cost request by \$371,149.35.  
9 Accordingly, the Court awards Esquel \$6,030,559.61 in fees, and \$759,485.25 in costs, for a  
10 total award of fees and costs in the amount of \$6,790,044.86.

11 **D. Pre-judgment Interest**

12 Esquel seeks \$653,395.32 in pre-judgment interest on the attorneys' fees charged by  
13 McDermott Will & Emery from April 2004 through December 2006. Suppl. Hoeft Decl.  
14 ¶ 25, Ex. S. Esquel argues that pre-judgment interest should be awarded at the prime rate  
15 and compounded monthly. Whether to award pre-judgment interest is a discretionary  
16 decision. See CPG Prods. Corp. v. Pegasus Luggage, Inc., 776 F.2d 1007, 1011 (Fed. Cir.  
17 1985). In recognition of the fact that Esquel's \$6.8 million award is almost \$2 million more  
18 than the median cost of patent infringement litigation in which more than \$25 million is at  
19 risk in "Other West" locations, and in light of the Court's belief that \$6.8 million amply  
20 compensates Esquel for Taltech's "exceptional" conduct, the Court declines to award pre-  
21 judgment interest.

22 **E. Post-judgment Interest**

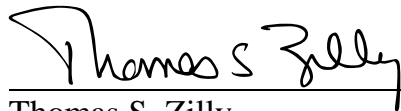
23 The Court grants Esquel's unopposed request for post-judgment interest according to  
24 28 U.S.C. §1961.

1 **CONCLUSION**

2 The Court GRANTS IN PART and DENIES IN PART Esquel's Motion for  
3 Attorneys' Fees and Costs, docket no. 303, as outlined above, and awards Esquel  
4 \$6,790,044.86 in fees and costs, plus post-judgment interest.

5  
6 IT IS SO ORDERED.

7 DATED this 10th day of July, 2007.

8  
9   
10 Thomas S. Zilly  
United States District Judge